

Spending Less, Spending Smarter: Recommendations for National Security Savings FY 2012 to FY 2021

Deficit Reduction: \$586.112 BILLION

The Project On Government Oversight is a nonpartisan independent watchdog that champions good government reforms. POGO's investigations into corruption, misconduct, and conflicts of interest achieve a more effective, accountable, open, and ethical federal government.

Taxpayers for Common Sense is a non-partisan budget watchdog serving as an independent voice for American taxpayers. Our mission is to achieve a government that spends taxpayer dollars responsibly and operates within its means. We work with individuals, policymakers, and the media to increase transparency, expose and eliminate wasteful and corrupt subsidies, earmarks, and corporate welfare, and hold decision makers accountable.

U.S. spending (adjusted for inflation) on national security is higher than at any point during the Cold War and [accounts for more than half of all discretionary spending](#). Yet the U.S. faces no existential threats as we did then, and we are drawing down in Iraq and Afghanistan, by far the two biggest wars abroad. Even leaving aside war-related spending, the Department of Defense's (DoD) base budget has increased 60 percent since 2001, adjusted for inflation. Nuclear weapons spending at the Department of Energy (DOE) is growing by [leaps and bounds](#). And the federal government's reliance on contractors, most of whom work on national security-related work and who usually cost significantly more than federal workers do to do the same tasks, is also driving budgets through the roof. Therefore, any serious proposal to shrink our deficit must include cuts to our national security budget.

The Project On Government Oversight (POGO) and Taxpayers for Common Sense (TCS) have closely examined the defense budget for waste, fraud, and abuse and for programs in which there are cheaper yet effective alternatives or in which cancellation or delay poses an acceptable level of risk according to national security experts. The following list details more than \$500 billion in deficit reductions, including cuts to wasteful weapons systems, limits on out-of-control contract spending, and reforms to costly entitlement programs. All of the recommendations save taxpayers' money and maintain our national security. All budget estimates are 10-year projections or less, based on government or credible academic sources. We chose conservative estimates to avoid overstating the scale of the potential deficit reduction.

These recommendations only begin to describe the savings that can be achieved by holding our national security spending to the highest standard of performance and accountability. DoD accounts

remain [nearly impossible](#) to audit, and the programs it undertakes are [consistently over budget and behind schedule](#). Significant commitments by the federal government to changing the culture of procurement, budgeting, and management would yield billions in additional savings and deliver better and more weapons for less money and less time. In sum, without serious changes to how the DoD and other agencies spend money, we will be spending much more for a smaller and less effective force structure. National security and spending money wisely are not mutually exclusive, but rather are mutually reinforcing.

Moreover, because we decided to include only programs for which we had credible 10-year projections, and programs for which the savings would be achieved in the next 10 years, the list does not include unneeded or potentially overbloomed programs such as the SSBN(X), the planned replacement for current ballistic missile submarines. Similarly, we do not address reductions in the nuclear arsenal because these significant savings would not materialize in the short term (although there is a potential for huge long-term savings). The cuts listed below are just a start on what promises to be a long road to fiscal stability, for both our military and nation.

Department of Defense

Cancel one version of the Littoral Combat Ship (LCS)
Minimum Savings: \$160 million

Based on [Congressional Budget Office \(CBO\) estimates](#), the DoD could save approximately \$160 million in procurement costs from FY 2012 to FY 2021 by using just one LCS design. Also, a bipartisan group of Senators led by John McCain recently [questioned the viability of the Austal variant](#). In addition, the [Congressional Research Service notes](#) that:

Managing the construction of two very different LCS designs could place increased demands on overall Navy program management capacities...factors that might increase the chances of program-management challenges in the LCS program or of the Navy not detecting in a timely manner construction-quality problems that might occur in one or both LCS designs.

[The Armed Forces Journal has noted](#) that, “With dozens of different systems on each design, sailors qualified to serve on one LCS or the other are no more qualified to serve on the other LCS class than an amphibious sailor.” This will ultimately increase personnel costs and decrease military readiness.

Eliminate additional funding for the M1 tank beyond the Pentagon’s request
Savings: \$272 million

In an effort to keep the M1A2SEP tank line “hot,” [the House appropriated](#) an additional \$272 million beyond the DoD’s request—this is the definition of an earmark for many Members of Congress and much of the public. The Army already has 1,547 of these tanks in active combat units and has not indicated a need for increasing production. This pork should be cut from the budget.

Defer development of next-generation bomber
Minimum savings: \$3.7 billion

The DoD announced plans last year to begin developing a “next-generation” bomber aircraft to replace the Air Force’s B-52, B-1, and B-2 planes, which drop both nuclear and conventional bombs. The bomber is [projected to cost](#) at least \$55 billion over its lifetime, including development. The [DoD claims](#) that development needs to start now even though the B-52 will be operational until 2040 and the B-2 is undergoing continuous upgrades. In fact, [Obama administration canceled a bomber program just last year](#), criticizing the original gold-plated design as unaffordable and pointing out that the current fleet was performing well and could meet foreseeable challenges with ongoing upgrades. CBO warned that the DoD’s weapons acquisition program, including the future bomber fleet, was in danger of breaking the military’s bank. Deferring development of costly next-generation weapons saves money and is low risk because of the robust nuclear delivery capabilities that will be available for several decades. [The DoD estimates spending](#) approximately \$3.7 billion on the new bomber from FY 2012 to FY 2016. (Savings would likely be greater, but we do not have estimates beyond FY 2016.)

Cut aircraft carriers from 11 to 10 and Navy wings from 10 to 9
Savings: \$7 billion

[The CBO estimates](#) that from FY 2012 to FY 2021, about \$7 billion can be saved by retiring the USS George Washington in 2016 and accordingly reducing Navy force size by 5,600 sailors. This option also eliminates the administrative structure of the air wing associated with the carrier, but keeps the planes and redeploys the other ships in the carrier strike group to support other missions. For even further savings beyond the \$7 billion, these ships and planes could be retired out of service. The rationale for utilizing 10 aircraft carriers rather than 11 is within an acceptable margin of risk, [according to the CBO](#): “Recent experience suggests that the Navy mobilizes 5 to 7 carriers to fight a major war, and the 10 carriers remaining in the fleet under this option would still provide a force of at least 5 or 6 carriers within 90 days to fight such a war.” The CBO indicates that with 10 carriers, it is still possible for a seventh carrier to be deployed to an area of operations within 90 days and certainly within more than 90 days.

Freeze development of the Ground-Based Midcourse Defense (GMD) system
Savings: \$8 billion

Several GMD (missile defense) technologies remain unproven or were tested under only highly managed conditions. [CBO has suggested](#) eliminating phases of the GMD program that would expand missile interceptors in Alaska and establish new ones in Europe until current systems are proven. This would still permit development of interceptors to protect the U.S. against missiles from Iran and North Korea, the main concern of the GMD program.

Freeze development of over-budget military space programs
Savings: \$11.3 billion

Military space programs have a [poor record of endemic cost and schedule overruns](#). The Space-Based Infrared System (SBIRS), intended to provide initial warning of a ballistic missile attack, is a classic example. Space development needs to adopt a “distributed architecture” approach that fields many

smaller, cheaper satellites instead of mega-satellites like SBIRS. For that reason, the SBIRS program should be truncated after the current Block 4 development for a savings of \$2.1 billion.¹ DoD has already stopped its involvement in another huge satellite system,² the National Polar-Orbiting Environmental Space system (NPOESS), allowing DoD to eliminate the C-1 spacecraft platform used for the system's afternoon orbit for a savings of \$1.7 billion,³ as noted by a [Taxpayers for Common Sense report](#). Finally, terminating the Precision Tracking Space System (PTSS) because of redundancy with other missile defense and space programs would save \$7.5 billion, [according to the CBO](#).

Do not enter into a new V-22 Osprey procurement contract
Savings: \$12 billion

Procurement of V-22s should stop when the current multi-year procurement contract ends in FY 2012. As both the [Fiscal Commission](#) and the [Sustainable Defense Task Force](#) have noted, the 170 scheduled to be procured beyond that can be replaced by MH-60 or CH-53 helicopters, which would save approximately \$12 billion in procurement and operating costs. The V-22 is simply neither cost- nor operationally effective. [Each V-22 costs \\$122 million to build](#), and this cost has not translated into operational effectiveness. [According to the Government Accountability Office \(GAO\)](#), the V-22 costs over \$11,000 per hour to fly and had a full mission capability (FMC) rate of just 6 percent in Iraq.

Replace the B and C models of the F-35 with FA-18 E/F
Savings: \$43.64 billion

The B and C models of the F-35 are the most expensive variants of the most expensive DoD procurement ever. [The B model has been grounded](#) due to technical problems and is the most complex of the three variants, which have driven cost overruns and schedule delays in the overall development phase of the program. Although the F/A-18E/F Super Hornets lack stealth and the F-35B's short takeoff and vertical landing capabilities, these F-35 models could be replaced by F/A-18E/Fs, which have many capabilities that rival the F-35 and—more importantly—cost far less, with a [price of around \\$42.7 million each](#) versus the [F-35's \\$132.8 million each price tag](#). Additionally, according to a [Naval Air Systems Command](#) analysis, the F-35 will cost 40 percent more for operation and support (O&S) than FA-18s. From FY 2012 to FY 2021, a total of 422 B and C models are scheduled to be built. Replacing these with FA-18E/Fs would save \$38 billion in procurement costs alone, and the lower support costs of the FA-18 E/F would tack on another \$5.64 billion in savings.⁴ (*Note: this section has been corrected.*)

¹ Department of Defense, *Fiscal Year (FY) 2012 Budget Estimates: Air Force Justification Book: Missile Procurement, Air Force - 3020*, February 2011. <http://www.saffm.hq.af.mil/shared/media/document/AFD-110211-035.pdf> (Downloaded July 21, 2011)

² Andrea Shalal-Esa, "Exclusive: Pentagon budget seeks to kill 7 arms programs," *Reuters*, January 20, 2010. <http://www.reuters.com/assets/print?aid=USTRE60K07I20100121> (Downloaded July 21, 2011)

³ Department of Defense, *Fiscal Year (FY) 2012 Budget Estimates: Air Force Justification Book Volume 2: Research, Development, Test & Evaluation, Air Force*, February 2011. <http://www.saffm.hq.af.mil/shared/media/document/AFD-110211-030.pdf> (Downloaded July 21, 2011)

⁴ Department of Defense, *Select Acquisition Report – F-35*, December 31, 2010. <http://www.fas.org/man/eprint/F-35-SAR.pdf> (Downloaded July 21, 2011) The savings is calculated by multiplying the total quantity of B and C models planned to be procured from FY 2012 through FY 2021 (422) by the cost differential between the two aircraft (\$57.8 million). Support savings is 40 percent of the total support costs for these models from FY 2012 to FY 2021 (\$14.11 billion, which is planned flight hours multiplied by cost per flight hour).

Withdraw 20,000 troops from Europe
Minimum savings: \$30 billion

Capping routine U.S. military presence in Europe at 35,000 troops and reducing force structure accordingly can save money through reduced personnel and operations & maintenance (O&M) costs such as military housing and transport, according to the [Report of the Sustainable Defense Task Force](#). The U.S. has built a unique capacity to deploy rapidly from offshore bases as needed, an approach which has both financial and strategic advantages. And in light of the low risk of conflict in Western Europe, taxpayer enthusiasm for subsidizing European countries' defense is eroding. Our estimate is based on [CBO estimates](#) of savings resulting from rolling back the "Grow the Force" initiative.⁵ This estimate is very conservative since DoD tends to underestimate outyear O&M costs.

Reform TRICARE
Savings: \$60 billion

DoD is facing the same entitlements train wreck as the entire federal government, but sooner. TRICARE, DoD's health care system, currently consumes more than 8 percent of all DoD spending and is projected to explode in coming decades. Yet TRICARE premiums haven't risen in a decade. Every recent attempt by DoD to increase premiums or co-pays has been shot down by Congress and veterans' groups. Still, many fully employed military retirees opt for TRICARE over employer-provided care, which amounts to a government subsidy for employers. Reforming this system along the lines suggested by the [Quadrennial Review of Military Compensation](#), a plan endorsed by former Defense Secretary Robert Gates, could save more than \$60 billion, based on estimates from the [Report of the Sustainable Defense Task Force](#). The changes would mostly affect those ex-service personnel between the ages of 38 and 65 with other health insurance options available.

Nuclear Programs

Don't modernize B61 nuclear bombs in Europe
Savings: \$1.6 billion

The [U.S. bases 200 B61 nuclear gravity bombs in 5 European NATO countries](#)— Belgium, Germany, Italy, Turkey, and the Netherlands. All of the U.S.'s B61 bombs are scheduled to be put through the Life Extension Program (LEP), including the 200 in Europe, and the overall cost of the B61 LEP is estimated to be about [\\$4.9 billion](#), according to the [Fiscal Year 2011 Stockpile Stewardship and Management Plan](#). But, [the U.S. is now in talks](#) with NATO to remove all U.S. tactical nuclear weapons from Europe. Proceeding with removal of these bombs or having European NATO members fund the LEP program would save U.S. taxpayers approximately \$1.6 billion.⁶ Should NATO decide

⁵ The CBO initiative would actually have eliminated around 65,000 personnel for a savings of nearly \$90 billion. As our troop reduction figure is less than one-third of the CBO's total personnel reduction we calculated one-third of the savings which, once again, is a conservative estimate.

⁶ Conversation between Hans Kristensen, Federation of American Scientists, and Demoni Newman, Project On Government Oversight, July 20, 2011. The calculation is an approximation based on the percentage of all B61s scheduled to go through LEP that are in Europe.

that the B61 bombs need to stay in Europe, it would be reasonable to ask that other NATO members pony up the money for putting the European bombs through the LEP process, as [the bombs do little to improve American security](#). Secretary of Defense Robert Gates, before leaving office, [called upon other NATO members](#) to shoulder more of the cost burden for their own security, criticizing “those who enjoy the benefits of NATO membership—be they security guarantees or headquarters billets—but don’t want to share the risks and the costs.”

Halt construction of the CMRR nuclear facility at Los Alamos
Savings: \$2.9 billion

The Chemistry and Metallurgical Research Replacement-Nuclear Facility (CMRR-NF) is a new palatial building the National Nuclear Security Administration (NNSA) wants to build at Los Alamos National Laboratory. The CMRR project includes both the already-built [Radiological Laboratory/Utility/Office Building \(RLUOB\)](#) as well as the [planned CMRR-NF](#). The project will cost \$3.7 to \$5.8 billion—at least by [current estimates](#)—but the cost has increased ten-fold since the project’s inception, and [final estimates are not due until 2013](#). There are [serious questions](#) about the risks associated with the CMRR-NF, not the least of which are that it will be storing six metric tons of plutonium in an active seismic zone. Several hundred million dollars have already been appropriated and excavation has begun, despite the fact that the design is only [50 percent complete](#).

Halt construction of the MOX facility
Savings: \$4 billion

Another wasteful DOE project, the mixed oxide fuel (MOX) facility at the Savannah River Site, has gradually grown more expensive and less justifiable since its inception. The cost is now estimated to be [\\$4.86 billion](#) for the main and feedstock facilities, but is on the rise because of the high turnover of personnel. The facility is designed to recycle [excess plutonium](#) from dismantled weapons and turn it into MOX, which can be sold to fuel nuclear power plants. Unfortunately, the materials required to create MOX (disassembled plutonium pits) aren’t readily available and [the only current buyer for MOX dropped the contract](#). The crisis at the Fukushima Dai-ichi power plant (which used MOX in one of its reactors) looks to be [scaring potential buyers](#), possibly making the half-built Savannah River facility the manufacturer of a useless product. There’s also a possible proliferation hazard, because recycling the plutonium could [indicate to other nations that the U.S. approves of separated plutonium fuel programs](#), or could even lead to a [reversal of the MOX process](#), allowing MOX fuel to be turned into weapons-grade material. As of January, nearly [\\$650 million](#) had been spent on the facility. Eliminating further funding for this facility—which cannot make a product anyone will buy—could save taxpayers approximately \$4 billion.

Cancel the building of the Uranium Processing Facility
Savings: \$6 billion

DOE is also looking to build the Uranium Processing Facility (UPF) at the DOE’s Y-12 National Security Complex in Oak Ridge, Tennessee. The arguments to build the facility have been [dwindling](#), while the cost has been climbing. For example, one of the proposed missions for the facility are LEPs for various warheads, yet most if not all of the scheduled LEPs are [expected to be completed before the](#)

[UPF is even built](#). A recent Army Corps of Engineers' assessment indicates that the project will cost [\\$6.5-\\$7.5 billion](#). Several groups, [including POGO](#), have [questioned the need](#) for the UPF, and suggested an investment in modernizing existing facilities to meet modern safety and mission requirements. While the facility was initially touted as a major advancement in technological readiness levels (TRL), a majority of these technological advances won't be attained by the time construction begins, according [to the GAO](#). Thus, "NNSA may need to revert to existing or alternate technologies, possibly resulting in changes to design plans and space requirements that could delay the project and increase costs." [Several hundred million dollars have already been appropriated](#) for the facility, but at least \$6 billion in project costs can still be saved by cancelling the construction of this unnecessary facility. According to the Y-12 Ten Year Site Plan [published](#) in March 2009, a currently existing building, Building 9212, can safely accomplish the production mission intended for UPF for \$100 million in upgrades.

Downblend more highly enriched uranium and sell as low enriched uranium

Revenue: \$23 billion

The U.S. has an estimated 400 metric tons of excess highly enriched uranium (HEU). In 2010, POGO issued a [report](#) indicating that up to 300 metric tons of HEU was in excess of any possible security needs and could be downblended into low enriched uranium (LEU) and then sold to power nuclear facilities. This HEU is surplus material, not needed to maintain our weapons capability. The U.S. currently downblends only 2-3 metric tons per year. While there is a cost associated with increased downblending, it is a small investment compared to the amount we spend keeping this excess material secure. Both the jobs created by ramping up LEU production and the security risks associated with HEU are ample reason for downblending. With just a shoebox full of HEU, a terrorist could create an improvised nuclear device as powerful as the bomb dropped on Hiroshima. The POGO report estimates that if the U.S. downblended the 300 metric tons of HEU and sold the resultant LEU, it could make \$23 billion in revenue.⁷

Service Contractors

Reduce spending on non-DoD federal service contractors by 15 percent

Savings: \$72.54 billion

Since 2000, the federal government has spent nearly a trillion dollars on non-DoD service contracting.⁸ In FY 2010 alone, national security non-DoD service contracts cost taxpayers more than \$48 billion (non-DoD national security agencies we are examining are the Department of Homeland Security, the State Department, U.S. Agency for International Development—however, there is national security spending in other agencies as well). This year, [the White House proposed a 15 percent reduction in service contracting](#). Even greater efficiencies can be obtained based on an upcoming analysis

⁷ The \$23 billion in revenue is assuming the costs of downblending all 300 metric tons (about \$1.2 billion) do not exceed the savings brought by not having to secure 300 metric tons. Given the cost of nuclear facilities this is, once again, a conservative estimate.

⁸ All calculations based on service contractor data from www.usaspending.gov.

conducted by POGO,⁹ which found that the average annual contractor billable rate was much more than the average annual full compensation for federal employees performing comparable services. Thus, national security non-DoD service contracts should be cut dramatically. A first step in that direction is capping non-DoD service contracts at \$41.1 billion, or roughly 85 percent of FY 2010 levels. This would save taxpayers \$72.54 billion over the next ten years.¹⁰

Reduce spending on DoD service contractors by 15 percent
Savings: \$300 billion

Since 2000, the DoD has spent more than \$1.5 trillion dollars on service contractors, with the annual cost to taxpayers nearly tripling.¹¹ In FY 2010 alone, DoD service contracts cost taxpayers more than \$200 billion, which is [nearly \\$50 billion more than the cost of all uniformed personnel](#) (active duty, reserve, and national guard) employed by the DoD. Additionally, the [GAO found](#) that many contractors perform inherently governmental functions, and [then-Secretary of Defense Robert Gates has said that he was](#) “not satisfied with the progress to reduce our over-reliance on contractors,” and [in March](#) he proposed cuts to contractor personnel that would save \$6 billion over several years. Similarly, the [Senate Armed Services Committee has recommended cuts](#) to DoD service contracts. Expanding and extending these cuts by reducing DoD service contractor spending by 15 percent would save taxpayers billions and was a priority initially [championed by Gates](#) himself. This 15 percent cut over the next ten years would save, at a minimum, \$30 billion per year and result in a total savings of approximately \$300 billion.¹²

For more information, please contact us at:

Project On Government Oversight
1100 G St NW, Suite 900
Washington, DC 20005
www.pogo.org
info@pogo.org
202-347-1122

Taxpayers for Common Sense
651 Pennsylvania Ave, SE
Washington, DC 20003
www.taxpayer.net
info@taxpayer.net
202-546-8500

⁹ POGO will be releasing a report entitled *Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors* later this month that directly compares the cost of service contractors with that of federal employees performing comparable services.

¹⁰ \$7.254 billion per year times ten years. Based on the exponential rise in service contracting costs over the last decade, this is a very conservative estimate of the cost savings. It effectively assumes that service contracting costs would otherwise stay at FY 2010 levels. In the last decade, non-DoD service contract costs have risen every single year.

¹¹ All calculations based on service contractor data from www.usaspending.gov and DoD personnel data from Department of Defense, *Department of Defense Budget: Fiscal Year 2010: Military Personnel Programs (M-1): Operation and Maintenance Programs (O-1)*, May 2009, Revised July 2009.

http://comptroller.defense.gov/defbudget/fy2010/fy2010_m1o1.pdf (Downloaded July 21, 2011)

¹² \$30 billion per year times ten years. Based on the exponential rise in service contracting costs over the last decade, this is a very conservative estimate of the cost savings.

Correction 7/22/2011: This document originally said that the F-35B variant is currently grounded. It is no longer grounded. POGO and TCS regret the error. The F-35 section was also modified to say that the F/A-18E/F has “many” capabilities that rival the F-35. The F/A-18E/F does lack some key capabilities of the F-35.